GODDARD PERRY
CONSULTING

EMPLOYEE BENEFITS IN BLACK + WHITE

The Future of Salary Sacrifice

A salary sacrifice arrangement is an agreement between an employer and employee to reduce the employee's cash pay. The sacrifice of cash entitlement is made in return for some form of non cash benefit. Salary sacrifice can be financially beneficial for both employer and employee due to the reduction in Income Tax and National Insurance Contributions.

Following a consultation in the Summer of 2016 the government confirmed in the Autumn Statement that it would legislate to remove some of the Income Tax and employer National Insurance Contribution advantages from April 2017. As well as the financial incentive for the government, this move is designed to create a level playing field between employees using salary sacrifice and those employees paying for the same benefits with their post-tax income.

Some benefits will remain unaffected by the changes and both employers and employees can still take advantage of the Income Tax and National Insurance Contribution savings on the benefits listed below:

- Pension contributions
- Employer provided pension advice
- Childcare costs
- Cycle to work schemes
- Ultralow emission cars

Most other benefits including Private Medical Insurance, Income Protection and Cashplan schemes will be affected however there is some protection being offered in that they will not be subject to the new rules until the end date of the existing agreement or 5 April 2018, whichever is the sooner.

Group Life Assurance schemes offered within flexible benefit arrangements run through salary sacrifice are a special case. Registered Group Life Schemes will be unaffected by the new rules due to being deemed Pension Schemes however Excepted Group Life Schemes **will** be affected by the new rules.

Employees enrolled in a car, accommodation or school fee salary sacrifice agreement, before 6 April 2017, will be protected until the end date of their agreement, or until 5 April 2021, whichever is sooner.

Modern flex systems utilise the salary sacrifice system in full; the ultimate aim being that an employee could remove all benefits and receive a higher salary. As an alternative an employer could offer a fixed salary plus an additional benefit spend where there is no change in liability. The point is that the member can choose the benefits that they want, but they never have the option of taking anything left over in cash.

If you believe that you provide benefits for your employees that may be affected by these changes, please contact your usual consultant at Goddard Perry and we will be happy to assist you in reviewing these arrangements.

Please note that this is our opinion regarding the legislation being proposed and should not be considered legal advice.

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